



May 22, 2018

Proposed Resolution W-5165

Agenda ID: 16543

To: All Interested Persons

Enclosed is Proposed Resolution W-5165 of the Water Division, which authorizes San Gabriel Valley Water Company to amortize the under-collected balance of \$542,854 in the Plant F23 Project Memorandum Account over a twelve-month period through a surcharge of \$0.0372/Ccf. Proposed Resolution W-5165 is scheduled to appear on the June 21, 2018 Commission Meeting Agenda (ID# 16543).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5165 via email to Water.Division@cpuc.ca.gov on or before May 22, 2018. **Please reference "Proposed Resolution W-5165" in the subject line.**

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Water Division. If email is unavailable, please submit comments to:

California Public Utilities Commission
Water Division
505 Van Ness Avenue
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Water Division at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5165."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director
Water Division

Enclosures: Proposed Resolution W-5165
Certificate of Service
Service List

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5165

June 21, 2018

RESOLUTION

(RES. W- 5165), SAN GABRIEL VALLEY WATER COMPANY (SAN GABRIEL). ORDER AUTHORIZING SAN GABRIEL TO AMORTIZE THE UNDER-COLLECTED BALANCE OF \$542,854 IN THE PLANT F23 PROJECT MEMORANDUM ACCOUNT OVER A TWELVE-MONTH PERIOD THROUGH A SURCHARGE OF \$0.0372/Ccf.

By Advice Letter No. 506-W filed on November 15, 2017.

SUMMARY

By Advice Letter (AL) No. 506-W, filed on November 15, 2017, San Gabriel seeks authorization to: (1) amortize the under-collected balance of \$542,854 in the Plant F23 Project Memorandum Account (Memorandum Account), existing as of October 2017, over a twelve-month period through a temporary \$0.0372/Ccf surcharge; (2) close the memorandum account; and (3) transfer the balance in that account to the Previously Authorized Balance Balancing Account (PABBA).

This Resolution authorizes San Gabriel to recover the under-collected balance of \$542,854 in the Plant F23 Project Memorandum Account by (1) transferring this amount to a balancing account for recovery through a surcharge of \$0.0372/Ccf applied to quantity rates over a period of 12 months starting July 1, 2018, and (2) by closing the Plant F23 Project Memorandum Account and (3) removing this memorandum account's listing from the utility's Preliminary Statement.

At the end of the twelve-month surcharge collection period, any monies collected more than, or less than, the authorized recovery balance, shall be transferred to the previously Authorized Balance Balancing Account (PABBA) for future refund or recovery.

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BACKGROUND

In general rate case (GRC) Decision No. 14-05-001, dated May 1, 2014, the Commission authorized San Gabriel to establish both a “(i) a Memorandum Account to track costs required by the Conditional Use Permit (CUP) for Plant F23, and (ii) a balancing account to track the actual costs of perchlorate treatment facilities.” Plant F23, located in the city of Fontana on Boyle Avenue, consists of a perchlorate removal treatment system, a water storage reservoir, and a booster station. The CUP, required by the city of Fontana, imposed additional, non-treatment required expenses for items such as fencing, landscaping and street improvements.

Plant F23 was completed in 2014 at a total recorded cost of \$7,273,153. Of that amount, \$1,548,262 was contributed plant by the Environmental Security Technology Certification Program. \$4,558,231 was recorded in the Perchlorate Facilities Balancing Account, and \$1,166,581 was recorded in the Plant F23 Project Memorandum Account, while \$78 was expensed.

San Gabriel’s last GRC Decision No. 17-06-008, dated June 15, 2017, authorized San Gabriel to file an advice letter to recover the cost balance recorded in the balancing account “...as of June 2017, but with a finding that costs recorded through June 2015 are reasonable.” San Gabriel filed Advice Letter No. 499, effective August 13, 2017, to amortize the balance of \$4,558,231 recorded in the balancing account. San Gabriel is currently recovering the account balance through a surcharge of \$0.1484 per Ccf, effective for a twelve-month period starting from August 13, 2017.

D.17-06-008 also authorized the remaining Plant F23 capital expenditures of \$1,166,581 contained in the memorandum account to be transferred to Rate Base effective July 1, 2017. As such, the entire capital costs of Plant F23 are being recovered in rates currently. The capital carrying costs, however, for projects completed and charged to the memorandum account were not included in San Gabriel’s last GRC and are the subject of AL 506.

AL 506 seeks to recover capital carrying costs for the Plant F23 Memorandum Account for the period from May 6, 2014 through June 30, 2017. The capital carrying cost balance remaining in the memorandum account is \$542,854. San Gabriel seeks recovery of this balance through a \$0.0372/Ccf surcharge, spread over a twelve-month period.

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DISCUSSION

San Gabriel recorded incremental revenue requirements, or capital carrying costs in the Memorandum Account every month after each component was closed to Plant-in-Service from May 6, 2014, when the memorandum account was established, through June 30, 2017, after which the memorandum account balance was amortized by D.17-06-008. D.17-06-008 authorized the inclusion of Plant F23 project costs into Rate Base effective July 1, 2017.

Water Division reviewed the work papers accompanying AL 506-W to verify (1) that the factors used to calculate the incremental revenue requirement match those authorized by D.14-05-001, (2) that the correct 90-day Commercial Paper Rate was used, and (3) that the calculations were correctly performed. Water Division determined that San Gabriel properly recorded the capital expenditures for each CUP-related project component in the memorandum account and correctly calculated the corresponding carrying costs to determine the incremental revenue requirements.

Water Division recommends that San Gabriel be authorized to recover the under-collected balance of \$542,854 in the Plant F23 Project Memorandum Account by transferring the amount to a balancing account for recovery through a surcharge of \$0.0372/Ccf applied to quantity rates over a period of 12 months starting July 1, 2018. This resolution also closes the Plant F23 Project Memorandum Account and removes its listing from San Gabriel's Preliminary Statement.

The under-collected balance of \$542,854 is 0.8% of the authorized Revenue Requirement of \$71,064,500 adopted by D.17-06-008. Pursuant to D. 03-06-072, Appendix A, it is appropriate to recover the under-collected amount through a surcharge applied to the quantity rates spread over a period of 12 months, as the balance is less than 5% of the authorized revenue requirement.

At the end of the twelve-month surcharge collection period, any monies collected more than, or less than, the authorized recovery balance, shall be transferred to the previously Authorized Balance Balancing Account (PABBA) for future refund or recovery.

For non-CARW residential customers with a 5/8" X 3/4" meter and using 19 Ccf, the monthly bill on Schedule FO-1 will increase by \$0.71 or 0.8% from \$92.61 to \$93.32 and the average monthly bill on Schedule FO-1C will increase by \$0.71 or 0.8% from \$90.92 to \$91.63.

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NOTICE AND PROTEST

San Gabriel served AL No. 506-W in accordance with General Order 96-B, Water Industry Rules 4.1 and 4.3. On December 14, 2014, WD suspended AL 506-W because additional time was required to process the AL filing.

No protests were received to AL 506-W.

SAFETY CONSIDERATIONS

The approval of the surcharge requested by San Gabriel provides the utility the necessary financial resources to safely operate and maintain its operations for the benefit of its customers, employees, and members of the public.

COMMENTS

Public Utilities Code § 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft Resolution was mailed to the utility and made available for public comment on May 22, 2018 with comments due on June 11, 2018.

FINDINGS

1. Plant F23 was completed in 2014 at a total recorded cost of \$7,273,153.
2. \$4,558,231 was recorded in the Perchlorate Facilities Balancing Account.
3. San Gabriel is currently recovering the Perchlorate Facilities Balancing Account balance through a surcharge of \$0.1484 per Ccf, effective for a twelve-month period starting from August 13, 2017.
4. \$1,166,581 was recorded in the Plant F23 Project Memorandum Account.
5. D.17-06-008 authorized Plant F23 capital expenditures of \$1,166,581, contained in the Plant F23 Project Memorandum Account, to be transferred to Rate Base effective July 1, 2017.
6. The Plant F23 Project Memorandum Account balance of \$542,854, including interest, is reasonable.

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7. The memorandum account balance to be recovered is less than 5% of San Gabriel's authorized annual revenue requirement.
8. It is reasonable to recover the surcharge amount over a twelve-month period.
9. Water Division's recommendation for recovery of \$542,854, including interest, through a surcharge of \$0.0372 per Ccf, applied to quantity rates, for all of San Gabriel's Fontana Division customers spread over twelve months starting July 1, 2018 is reasonable and should be approved.

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THEREFORE, IT IS ORDERED THAT:

1. Advice Letter No. 506-W is approved.
2. San Gabriel Valley Water Company shall, within five days of the effective date of this resolution, supplement Advice Letter No. 506-W, incorporating the revised rate schedules and preliminary statement attached to this Resolution as Appendices A through E, and concurrently cancel its presently effective Schedule No. FO-1: General Metered Service; Schedule No. FO-1C: General Metered Service – Conservation Rates; Schedule FO-6: Recycled Water Metered Service; and Schedule FO-CARW: California Alternative Rates for Water; and, Preliminary Statement.
3. San Gabriel Valley Water Company is authorized to recover the under-collected balance of \$542,854 in the Plant F23 Project Memorandum Account by transferring the amount to a balancing account for recovery through a surcharge of \$0.0372/Ccf applied to quantity rates over a period of 12 months starting July 1, 2018.
4. San Gabriel Valley Water Company's Plant F23 Project Memorandum Account shall be closed and its listing removed from the Preliminary Statement.
5. At the end of the twelve-month surcharge collection period of the balancing account, any monies collected more than, or less than, the authorized recovery balance, shall be transferred to the Previously Authorized Balance Balancing Account for future refund or recovery.

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This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 21, 2018 the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5168 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 22, 2018, at San Francisco, California.

/s/ ROBIN BRYANT

Robin Bryant

Parties should notify the Division of Water and Audits, Third Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

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APPENDIX A

SCHEDULE NO. FO-1 Fontana Water Company GENERAL METERED SERVICE (continued)

RATES (continued)

	Per Meter <u>Per Month</u>
For two 2-inch meters	\$ 269.00
For three 2-inch meters	405.00
For four 2-inch meters	539.00
For two 3-inch meters	506.00
For two 4-inch meters	842.00
For one 8-inch meter, two 2-inch meters	1,613.00
For two 8-inch meters	2,692.00

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
3. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-three months beginning on the effective date of Advice Letter 475-A and ending on January 31, 2018 to amortize the under-collection in the California Alternative Rates for Water (CARW) Balancing Account.
4. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net under-collection in the Plant F23 Perchlorate Facilities Balancing Account.
5. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net over-collection in the Conservation Program Balancing Account.
6. A surcharge of \$0.0372 per Ccf is to be applied to the quantity rates for twelve months effective July 1, 2018 to amortize the net under-collection in the Plant F23 Project Balancing Account. (N)
(N)
(N)

END OF APPENDIX A

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APPENDIX B

SCHEDULE NO. FO-1C

Fontana Water Company

GENERAL METERED SERVICE CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County

RATES

Quantity Rates:

For the first 16 Ccf of water used, per 100 cu.	\$ 3.2859
For all Ccf greater than 16 Ccf, per 100 cu. Ft	\$ 3.7789

	Per Meter
Service Charges:	Per Month
For 5/8 x 3/4-inch meter	\$ 16.85
For 3/4-inch meter	25.27
For 1-inch meter	42.12
For 1-1/2-inch meter	84.24
For 2-inch meter	134.80
For 3-inch meter	252.68

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
3. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475-A and ending on January 31, 2018 to amortize the under-collection in the California Alternative Rates for Water (CARW) Balancing Account.
4. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net under-collection in the Plant F23 Perchlorate Facilities Balancing Account.
5. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net over-collection in the Conservation Program Balancing Account.
6. A surcharge of \$0.0372 per Ccf is to be applied to the quantity rates for twelve months effective July 1, 2018 to amortize the net under-collection in the Plant F23 Project Balancing Account. (N)
(N)
(N)

END OF APPENDIX B

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APPENDIX C

SCHEDULE NO. FO-6
Fontana Water Company Tariff Area
RECYCLED WATER METERED SERVICE
(continued)

RATES – (continued)

	Per Meter <u>Per Month</u>
For two 2-inch meters	\$ 269.00
For three 2-inch meters	405.00
For four 2-inch meters	539.00
For two 3-inch meters	506.00
For two 4-inch meters	842.00
For one 8-inch meter, two 2-inch meters	1,613.00
For two 8-inch meters	2,692.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 75% of the Quantity Rate of Schedule No. FO-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of recycled water on the customer's premises.
3. The utility will supply only such recycled water at such pressure as may be available from time to time from the recycled water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcharge of \$0.2425/Ccf is to be applied to the quantity rates of only non-CAR.W customers to recover the estimated benefits provided under the California Alternative Rates for Water (CAR.W) program.
6. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CAR.W customers for twenty-three months beginning on the effective date of Advice Letter 475-A and ending on January 31, 2018 to amortize the under-collection in the California Alternative Rates for Water (CARW) Balancing Account.
7. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net under-collection in the Plant F23 Perchlorate Facilities Balancing Account.
8. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net overcollection in the Conservation Program Balancing Account.
9. A surcharge of \$0.0372 per Ccf is to be applied to the quantity rates for twelve months effective July 1, 2018 to amortize the net under-collection in the Plant F23 Project Balancing Account. (N)
(N)
(N)

END OF APPENDIX C

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APPENDIX D

SCHEDULE NO. FO-CARW

Fontana Water Company
CALIFORNIA ALTERNATIVE RATES FOR WATER
(continued)

SPECIAL CONDITIONS (continued)

2. Application and Eligibility Declaration: An application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required every two years and may be required on an annual basis. Customers are only eligible to receive service under this rate schedule at one residential location at any one time, and the rate applies only to the customer's permanent primary residence. The schedule is not applicable where, in the opinion of the Utility, either the accommodation or the occupancy is transitory.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing no later than one billing period after receipt and approval of the customer's application by the Utility.
4. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon the request of the Utility, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the Utility if there is a change in the customer's eligibility status.
6. Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
7. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
8. A surcharge of \$0.1484 per Ccf is to be applied to the quantity rates for twelve months effective August 13, 2017 to amortize the net under-collection in the Plant F23 Perchlorate Facilities Balancing Account.
9. A surcredit of \$0.0084 per Ccf is to be applied to the quantity rates for twelve months effective September 15, 2017 to amortize the net overcollection in the Conservation Program Balancing Account.
10. A surcharge of \$0.0372 per Ccf is to be applied to the quantity rates for twelve months (N)
effective July 1, 2018 to amortize the net under-collection in the Plant F23 Project (N)
Balancing Account. (N)

END OF APPENDIX D

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APPENDIX E

PRELIMINARY STATEMENT

(Continued)

R.

(D)

S. Mains Project Memorandum Account for Fontana Water Company Division

1. Purpose: The purpose of this memorandum account, as authorized by D.14-05-001 in A.11-07-005, is to track the recorded costs for mains work in excess of the allowance based on the City of Fontana's Capital Improvement Plan.
2. The following entries will be made monthly to the Mains Project Memorandum Account:
 - a. The recorded construction costs for mains work in excess of the allowance based on the City of Fontana's Capital Improvement Plan.
 - b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication (debit or credit).
3. Each year, San Gabriel will submit an advice letter, supported by specific records which clearly document the expenditures, to reflect in rates the balance recorded in this memorandum account.

Authorization: Established pursuant to D.14-05-001, Ordering Paragraph 5, and Advice Letter 437

END OF APPENDIX E

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SAN GABRIEL VALLEY WATER COMPANY ADVICE LETTER NO. 506 SERVICE LIST

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